



April 24, 2009

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PUBLIC UTILITIES  
COMMISSION

The Honorable Chairman and Members of  
the Hawaii Public Utilities Commission  
Kekuanaoa Building, First Floor  
465 South King Street  
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2008-0083  
HECO 2009 Test Year Rate Case  
HECO's Information Requests to the Consumer Advocate and DOD

In accordance with the Stipulated Schedule of Proceedings, as approved with modifications by the Commission on January 15, 2009, in its *Order Approving, With Modifications, Stipulated Procedural Order Filed On January 15, 2009*, and further amended by the Commission on January 21, 2009, in its *Order Amending Stipulated Procedural Order*, enclosed are Hawaiian Electric Company, Inc.'s ("HECO") information requests relating to the revenue requirements testimonies of the Consumer Advocate and the Department of Defense ("DOD"), which were filed with the Commission on April 17, 2009.

Sincerely,

  
Iris M. Teruya-Mita  
Director, Regulatory Affairs

Enclosures

cc: Division of Consumer Advocacy  
Michael L. Brosch, Utilitech, Inc.  
Joseph A. Herz, Sawvel & Associates, Inc.  
David Parcell, Technical Associates, Inc.  
Dr. Kay Davoodi, Department of Defense  
James N. McCormick, Department of Defense  
Ralph Smith, Larkin & Associates  
Stephen Hill, Hill Associates  
Maurice Brubaker, Brubaker & Associates

Docket No. 2008-0083

Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-201

Ref: CA-T-2, page 22, lines 16-18

Please provide the version and release number of the PMONTH model used by the Consumer Advocate in performing its production simulation and the dates associated with the executable files.

HECO/CA-IR-202

Ref: CA-WP-209, page 1 and CA-WP-204, page 1

Please explain the differences between the Hoku Solar energy calculated for July to December, which shows a total of 151,008 kWh, and the results of the production simulation, which shows 160 MWh.

HECO/CA-IR-203

Ref: CA-WP-204, page 1

- a. Under the IPP category, there are three components identically labeled "Kalaeloa CC." Please explain what each one represents.
- b. Of the three identically labeled "Kalaeloa CC" components, the first two have identical results between the "HECO Update Production Simulation Results" and the "CA Production Simulation Results." The third component has markedly different results. For example, the "HECO Update Production

Simulation Results” has 1,200,400 MBtu consumed while the “CA Production Simulation Results” has 92,200 MBtu consumed. Please explain the cause of this difference.

HECO/CA-IR-204

Ref: CA-WP-215, page 2

Please provide all calculations and workpapers to show how each of the on-peak and off-peak values in lines (1) to (4) were determined.

HECO/CA-IR-205

Ref: CA-T-2

CA-WP-210 P1, line 5 refers to a 2009 LSFO Fuel Price of \$62.97; CA-WP-210 P1 Backup, which shows the derivation of this price refers to this price as “NORMALIZED Dec. 2008 PRICE @ 6.0 MBTU/bbl”

- a. Explain the relationship between the phrases “2009 LSFO Fuel Price” and “NORMALIZED Dec. 2008 PRICE @ 6.0 MBTU/bbl.”
- b. Identify the source of each of the components of the computation of “Dec. 2008 PRICE @ 6.25 MBTU/bbl” and provide copies of all documentation supporting the proposed “December 2008 Kalaeloa LSFO Price Computation.”
- c. Explain why the December 2008 Tesoro after-tax LSFO price to HECO of \$55.1421 per barrel having a standard heat content of 6.2 MBTU/bbl has been used as a price component value in

place of the monthly average of the Platt's Oilgram Price Report assessment of the prior calendar month daily market price of Singapore LSWR (would be November 2008 for the computation of the Kalaeloa LSFO purchase price from Tesoro for December 2008), to which is added a fixed price formula component of \$0.393 per barrel.

- d. Explain why the April 2008 monthly pricing values for "AFRA MEDIUM RANGE" tanker freight component and "FACILITIES FEE" component rather than December 2008 monthly pricing component values were used in the proposed "December 2008 Kalaeloa LSFO Price Computation."

HECO/CA-IR-206

Ref: CA-WP-210, P1 Backup

The monthly component values in Tesoro's Kalaeloa LSFO pricing formula reference a standard heat content of 6.0 MBTU/bbl, explain why these monthly component values in the proposed "December 2008 Kalaeloa LSFO Price Computation" reference a heat content standard of 6.25 MBTU/bbl.

HECO/CA-IR-207

Ref: CA-WP-210, P1 Backup

Please fully describe the impact differential of using a Normalized December 2008 Kalaeloa LSFO price value of \$62.97 per barrel @ 6.0 MBTU/bbl rather than the actual Normalized December 2008 Kalaeloa LSFO base price of \$50.228 per barrel @ 6.0 MBTU/bbl



heat content on your production simulation output, forecasted expenses and any resulting calculated financial results, and provide copies of all documentation supporting your response.

HECO/CA-IR-208

Ref: CA-215, page 2

- a. The purchased energy prices for THC and Chevron do not match the avoided cost payment rates identified in CA-WP-215, page 2. Please indicate if those prices should be corrected.
- b. The purchased energy kwh mix % in lines 56 through 66 do not match CA-WP-215, page 5. Please indicate which, if any, of those mix % should be corrected.
- c. If any of the above numbers require correction, please recalculate the numbers on the page.

HECO/CA-IR-209

Ref: CA-WP-215, page 13.

- a. The sum lines 12 through 14 in the “% to Total System” column do not add up to 100.00%. Please identify which number(s) should be adjusted, if any.

HECO/CA-IR-210

Ref: CA-T-2, page 57, lines 5-11.

Please clarify your recommendation for approval of costs to be recovered through the proposed purchased power adjustment clause. Is the proposal to have the Commission approve purchased power contracts and approve cost recovery of non-energy

purchased power costs through the purchased power adjustment clause in a single review, similar to the approval process for new purchased power energy contracts and cost recovery through the Energy Cost Adjustment Clause? If not, please describe the specific proposed steps in the cost recovery approval process for non-energy purchased power costs.

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Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-301

Ref: CA-T-3, page 35, lines 1-5

In describing the Company's regression analysis, the Consumer Advocate "concluded that the claimed R-Square statistic . . . of .7794 was inaccurate . . . " Please explain.

HECO/CA-IR-302

Ref: CA-T-3, page 38, lines 8-11

Please provide the reasons why the Consumer Advocate's average of the historical 2008 actual vacancy rate and the Company's predicted vacancy rate is superior to the Company's predicted vacancy rate alone.

HECO/CA-IR-303

Ref: Exhibit CA-101, Schedule C-17, page 1

On page 1 of Schedule C-17 of Exhibit CA-101, the Consumer Advocate adjusts the lease expenses for the Company's new leases, to commence in 2009, in order to remove the "annualization" effect of these leases and to reflect lease expenses for only those 2009 months in which the Company is expected to have possession and be responsible for paying lease rents. Based on the Consumer Advocate's calculations, this revision amounted to a \$581,000 downward adjustment to the Company's estimated lease rent expense for the test year. Please confirm the following:

- a. For the purposes of calculating the \$581,000 downward adjustment, please confirm whether the annual lease costs of the leases (column c), lines 4 through 7, should be revised to reflect annual lease costs of the leases from Attachment 2 of HECO's response to CA-IR-344 (revised 3/31/09). If unable to confirm, please explain why the use of these annual lease costs are appropriate.
- b. If the response to part (a) of this information request is affirmative, please provide an updated Exhibit CA-101, Schedule C-17.

HECO/CA-IR-304

Ref: CA-T-3, Page 58 and Exhibit CA-101, Schedule C-17, page 1

On page 58 of CA-T-3, the Consumer Advocate states,

"Consequently, the Consumer Advocate recommends that the 2009 forecast be revised to recognize, for ratemaking purposes, the estimated lease cost for each new location for only those 2009 months in which HECO is expected to have possession and be responsible for paying lease rents to the respective property owners." However, on page 7 of CA-T-3, in describing the "test year" concept used for utility ratemaking purposes, the Consumer Advocate states, "...when a forecasted test year is employed, it may be necessary to identify and recognize various ratemaking adjustments (e.g., annualization, normalization and disallowance adjustments) to the forecast values set forth by the utility in order



to set rates that are based on reasonable, ongoing investment and cost levels." Please provide the following:

- a. Please explain how the Consumer Advocate's proposal of reflecting lease expenses for only those 2009 months in which the Company is expected to have possession and be responsible for paying lease rents is consistent with its "test year" concept of setting rates that are based on reasonable, ongoing investment and cost levels, especially if the lease expenses will be recognized by the Company on an annual basis subsequent to 2009.

HECO/CA-IR-305

Ref: CA-T-3, Page 88 and Exhibit CA-101, Schedule C-22, page 1

On page 88 of CA-T-3, the Consumer Advocate states that the 2009 amortization, pursuant to Commission Decision and Order No. 21331 (Docket No. 02-0391), related to the net unrecovered amortization, should be removed from the Company's 2009 test year expenses. The Consumer Advocate explains, "While it is true that this amortization will be recorded for eight months of the 2009 test year, it is equally true that the amortization will terminate in August 2009. As a result, it is necessary, appropriate and internally consistent to remove this amortization expense that will not continue beyond August 31, 2009." Please provide the following:

- a. Please explain how the treatment of removing these 2009 test year costs is consistent with the “test year” concept employed by the Consumer Advocate and Company in this regulatory proceeding.
- b. Please explain how the Company would recover these expenses if these costs are removed from the 2009 test year.

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Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-401

Ref: CA-T-4, p. 19, line 17

Please confirm that HECO's preferred stock is rated "Baa3" by Moody's and is not rated by Standard & Poor's (as provided in HECO's response to CA-IR-11 and also as shown in CA-404, page 2) vs. the respective "baa2" and "BBB-" ratings shown in CA-T-4, page 19, line 17.

HECO/CA-IR-402

Ref: CA-T-4, p. 20, line 5

Please provide all source information used in support of the statement, "In 2008, S&P reduced MECO's ratings from BBB+ to BBB" as stated in CA T-4, page 20, line 5.

Docket No. 2008-0083

Hawaiian Electric Company, Inc.  
Information Requests to  
Department of Defense ("DOD")

HECO/DOD-IR-101

Ref: DOD T-1, page 30, line 10 to page 31, line 1

- a) What periods of time would the DOD propose to be used  
instead in a regression analysis?
- b) Would reducing the predictive ability of the forecast further the  
objective of arriving at a usable vacancy rate?

HECO/DOD-IR-102

Ref: DOD T-1, page 31, lines 4-5

Please explain how well the mean-derived rate of 3.3%, in the case  
of describing vacancy rates, predicts future vacancies.

HECO/DOD-IR-103

Ref: Exhibit DOD-119 Depreciation and Amortization

On page 24-25 of DOD T-1, the DOD proposes to re-schedule the  
expiring 2009 amortization over a two year period (approximately  
HECO's rate case filing period). Exhibit DOD-116 provides the  
calculation of the \$825,000 downward adjustment to incorporate  
its proposal. On Exhibit DOD-119, the DOD proposes a  
\$2,198,000 downward adjustment to the Company's 2009 test year  
depreciation and amortization expense estimates based on actual  
2008 plant balances provided by the Company's response to  
CA-IR-417. Please explain the following:

- a. The \$2,198,000 downward adjustment includes the total  
downward adjustment for the expiring 2009 amortization of



\$1,924,000. Please confirm whether the \$2,198,000 downward adjustment should be revised to exclude the \$1,924,000 downward adjustment for expiring 2009 amortization. If unable to confirm, please explain why the adjustment is appropriate.

- b. If the response to part (a) of this information request is affirmative, please provide an updated Exhibit DOD-119.

HECO/DOD-IR-104

Ref: DOD T-1, pages 31-36 Pension Cost

- a. Based on the pension tracking mechanism adopted by the Commission and the DOD's position that the pension expense not be adjusted to the actual NPPC for 2009, please explain the DOD's position for not adjusting the regulatory liability balance as of the end of the test year to reflect an increase in a pension regulatory asset for the difference between the NPPC in rates (\$17,711,000) and the actual NPPC for 2009 (\$31,489,000).
- b. Based on the DOD's position for not reflecting the actual NPPC for 2009 and continuing to utilize the NPPC in rates from the 2007 rate case, please provide the DOD's calculation of the pension regulatory asset under the pension tracking mechanism at the end of 2010 and 2011, if it is assumed the NPPC for 2010 and 2011 would be the same as the actual NPPC for 2009 of \$31,489,000.

- c. Based on the information known today, that the interim decision has not yet become effective, please explain the DOD's rationale for including the amortization of the pension regulatory asset as of January 1, 2009 into the test year estimates.

HECO/DOD-IR-105

Ref: DOD T-1, pages 31-36 OPEB cost

- a. Based on the OPEB tracking mechanism adopted by the Commission and the DOD's position that the OPEB expense not be adjusted to the actual NPBC for 2009, please explain the DOD's position for not adjusting the regulatory asset balance as of the end of the test year to reflect an increase in an OPEB regulatory asset for the difference between the NPBC in rates (\$6,350,000) and the actual NPBC for 2009 (\$6,943,000).
- b. Based on the DOD's position for not reflecting the actual NPBC for 2009, please provide the DOD's calculation of the OPEB regulatory asset under the OPEB tracking mechanism at the end of 2010 and 2011, if it was assumed the NPBC for 2010 and 2011 would be the same as the actual amounts for 2009.
- c. Based on the information known today, that then interim decision has not yet become effective, please explain the DOD's rationale for including the amortization of the pension regulatory asset as of January 1, 2009 in the test year estimates.

HECO/DOD-IR-106

Feed-in Tariff Consultant Fees

Based on HECO's response to CA-IR-343, does the DOD agree that an adjustment need to be made for HECO's estimates to allocate a portion of the costs to HELCO and MECO?

HECO/DOD-IR-107

Ref: DOD T-1, Page 39 of 42, Section M FUTA Tax Reduction and DOD-124

Please explain why DOD-124 shows a reduction to payroll tax expense, when it appears that the DOD has agreed with the Company's position on including the effect of the 2009 R&D tax credit and consistency would require that the FUTA tax be left unadjusted as stated in response to CA-IR-361(b).